

1 THE LANIER LAW FIRM, P.C.
2 Christopher D. Banys (SBN: 230038)
3 cdb@lanierlawfirm.com
4 Daniel W. Bedell (SBN: 254912)
5 dwb@lanierlawfirm.com
6 Carmen M. Aviles (SBN: 251993)
7 cma@lanierlawfirm.com
8 Daniel M. Shafer (SBN: 244839)
9 dms@lanierlawfirm.com
10 2200 Geng Road, Suite 200
11 Palo Alto, CA 94303
12 Telephone: (650) 322-9100
13 Facsimile: (650) 322-9103

14 Attorneys for Defendant
15 INNOVA PATENT LICENSING, LLC

16 IN THE UNITED STATES DISTRICT COURT
17 FOR THE NORTHERN DISTRICT OF CALIFORNIA
18 SAN JOSE DIVISION

19 PROOFPOINT, INC.,

20 Plaintiff,

21 v.

22 INNOVA PATENT LICENSING, LLC,

23 Defendant.

24 Case No. 5:11-CV-02288-LHK

25 **INNOVA PATENT LICENSING INC.'S
NOTICE OF MOTION AND MOTION TO
DISMISS FOR LACK OF SUBJECT
MATTER JURISDICTION AND
PERSONAL JURISDICTION**

26 **Hon. Lucy H. Koh**

27 **[FRCP 12(b)(1); FRCP 12 (b)(2)]**

28 **DATE: AUGUST 25, 2011**

TIME: 1:30 P.M.

COURTROOM: 4, 5TH FLOOR

29 ///

30 INNOVA'S NOTICE OF MOTION AND MOTION
31 TO DISMISS
32 CASE NO: 5:11-CV-002288-LHK

NOTICE OF MOTION

TO ALL PARTIES AND THEIR COUNSEL OF RECORD:

NOTICE IS HEREBY GIVEN that on August 25, 2011, at 1:30 P.M., or as soon as the matter can be heard, in the United States District Court for the Northern District of California, in Courtroom 4, on the 5th Floor at 280 South First Street, San Jose, California, 95113, Defendant InNova Patent Licensing, LLC (“InNova”) hereby moves pursuant to Federal Rules Civil Procedure 12 (b)(1) and 12 (b)(2) for an order dismissing Plaintiff Proofpoint, Inc.’s (“Proofpoint”) Complaint for Declaratory Judgment.

This Court lacks subject matter jurisdiction under Federal Rule 12 (b)(1) in this declaratory judgment action because an “actual controversy” does not exist between Proofpoint and InNova. Proofpoint has pled no facts to show actual or imminent injury caused by InNova that can be redressed by judicial relief.

This Court should further dismiss Proofpoint's Complaint for Declaratory Judgment under Federal Rule 12 (b)(2) for lack of personal jurisdiction over InNova. Proofpoint has pled no facts to support general or specific jurisdiction.

Accordingly, InNova respectfully moves to dismiss Proofpoint's Complaint for Declaratory Judgment.

Motion will be based on this Notice of Motion, Motion To Dismiss in support thereof, and any evidence presented at the hearing of the Motion.

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

The Court should dismiss Proofpoint's Complaint because (1) Proofpoint fails to plead sufficient facts to form a case or controversy of sufficient immediacy and reality to warrant a declaratory judgment and (2) Proofpoint fails to plead facts sufficient to support either general or specific personal jurisdiction over InNova.

First, Proofpoint's Complaint fails to allege that InNova has threatened Proofpoint with suit. Indeed, the Complaint alleges little more than an economic fear that Proofpoint will lose customers based on a lawsuit InNova brought against some Proofpoint customers in Texas. This court has already found such factual allegations are not enough to establish subject matter jurisdiction because the factual allegations do not stem from a constitutionally cognizable contact with California.

Proofpoint has also failed to establish that the Court has personal jurisdiction over InNova. The only alleged contact InNova has with this district is “taking intentional and purposeful steps to enforce the ’761 Patent against **residents** of this judicial district.” But InNova did not submit to California jurisdiction merely by suing third parties in a foreign jurisdiction. In fact, InNova lacks sufficient contacts with California for either general or specific personal jurisdiction. InNova is not incorporated in California, does not have a principal place of business in California, does not have offices, manufacturing facilities, or retail stores in California, does not own property or have any bank accounts in California, and is not licensed to do business in California.

Proofpoint's cannot identify an adequate basis for subject matter jurisdiction or personal jurisdiction over InNova. Accordingly, the Court should dismiss Proofpoint's Complaint.

II. STATEMENT OF FACTS

InNova filed suit in the Eastern District of Texas (“Texas Action”) against several defendants on July 20, 2010 asserting United States Patent No. 6,018,761 (“’761 Patent”). (Carmen M. Aviles, Declaration ¶ 3) A First Amended Complaint was filed on

1 March 21, 2011. (Aviles, Declaration ¶ 4) All defendants have answered or otherwise
 2 responded to the amended complaint with the majority asserting counterclaims for non-
 3 infringement and invalidity. (Aviles, Declaration ¶ 5) A few defendants have filed
 4 motions to dismiss and a motion to transfer. (Aviles, Declaration ¶ 6, ¶ 7) The motions
 5 have been fully briefed and are currently pending. (Aviles, Declaration ¶ 6, ¶ 7)

6 Proofpoint filed its Complaint for Declaratory Judgment on May 10, 2011, stating that
 7 InNova's Texas Action alleges that "certain customers of Proofpoint have infringed and are
 8 infringing the '761 Patent by using one or more of the aforementioned Accused Proofpoint
 9 Products." (Dkt. #1, Complaint ¶ 10) Proofpoint goes on to state that InNova's
 10 "infringement allegations threaten actual and imminent injury . . . and that the injury is of
 11 sufficient immediacy and reality." (Dkt. #1, Complaint ¶ 13) According to Proofpoint, the
 12 injury includes, "(1) uncertainty as to whether manufacture, use, offer for sale, sale, or
 13 importation of the Accused Proofpoint Products is free from infringement claims based on the
 14 '761 Patent, (2) the injury to Proofpoint's efforts to market and sell its products and services
 15 including the Accused Proofpoint Products resulting from the Texas Action and the threat that
 16 other of Proofpoint's customers will be sued, and (3) the legal obligations flowing from
 17 Proofpoint's indemnity commitments to its customers." (Dkt. #1, Complaint ¶ 13)

18 But InNova has not threatened infringement suit against Proofpoint. (Aviles,
 19 Declaration ¶ 8) InNova has not contacted Proofpoint by telephone or e-mail, nor has InNova
 20 ever sent a single cease-and-desist letter to Proofpoint.

21 Furthermore, Proofpoint has failed to allege contacts with this forum sufficient to give
 22 rise to general or specific jurisdiction over InNova. Proofpoint has not alleged that InNova
 23 has a principal place of business in California, that it is licensed to do business in California,
 24 or that InNova has any offices in California. Proofpoint also does not allege that InNova has
 25 manufacturing facilities, or retail stores in California, or that it owns property or have any
 26 bank accounts in California. Proofpoint has not alleged any InNova activity has been directed
 27 to residents of this forum or that this declaratory judgment action arises out of or relates to
 28 ///

1 any activity directed at this forum. Proofpoint has not alleged any of these facts because it
 2 can't. There are no facts sufficient enough to give rise to personal jurisdiction over InNova.

3 **III. LEGAL ARGUMENT**

4 **A. Proofpoint's Factual Allegations Fail To Establish Subject Matter
 5 Jurisdiction**

6 "Subject matter jurisdiction is a threshold issue which goes to the power of the court to
 7 hear the case." *eBay, Inc. v. PartsRiver, Inc.*, 2001 WL 1522389 at *2 (N.D. Cal. August 21,
 8 2011). "The Declaratory Judgment Act permits a federal court to "declare the rights and other
 9 legal relations" of parties to "a case of actual controversy." *eBay, Inc. v. PartsRiver, Inc.*,
 10 2001 WL 1522389 at *2 (N.D. Cal. August 21, 2011); 28 U.S.C. §2201. Exercise of
 11 declaratory judgment jurisdiction is discretionary and can be dismissed even when the suit
 12 otherwise satisfies subject matter jurisdiction. *eBay, Inc. v. PartsRiver, Inc.*, 2001 WL
 13 1522389 at *2 (N.D. Cal. August 21, 2011); ("Brillhart makes clear that district courts
 14 possess discretion in determining whether and when to entertain an action under the
 15 Declaratory Judgment Act, even when the suit otherwise satisfies subject matter jurisdictional
 16 prerequisites." *Portman v. F.D.I.C.*, 2011 WL 1362692 at *2 (W.D. April 11, 2011); *see*
 17 *Brillhart v. Excess Ins. Co. of Am.*, 316 U.S. 491, 494 (1942)).

18 The Supreme Court's decision in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118
 19 (2007) changed the landscape for declaratory judgment jurisdiction in patent cases by
 20 overruling at least the first prong of a two-prong test; the first prong being whether
 21 defendant's conduct creates "a reasonable apprehension that the defendant will initiate suit if
 22 the plaintiff continues the allegedly infringing activity," and the second prong being whether
 23 conduct by the plaintiff amounts to infringing activity or demonstrates concrete steps taken
 24 with the intent to conduct such activity (e.g., "the plaintiff must actually have either produced
 25 the device or have prepared to produce that device."). *See, e.g., Arrowhead Indus. Water, Inc.*
 26 *v. Ecolochem, Inc.*, 846 F.2d 731, 736 (Fed.Cir.1988) (overruled at least in part by
 27 *MedImmune*).

28 ///

1 To sustain subject matter jurisdiction in a declaratory judgment action in the post-
 2 *MedImmune* context, an “actual controversy” must exist. *eBay, Inc. v. PartsRiver, Inc.*, 2001
 3 WL 1522389 at *2 (N.D. Cal. August 21, 2011). A declaratory judgment plaintiff must show
 4 by the “totality of the circumstances, the presence of an actual or imminent injury caused by
 5 the defendant that can be redressed by judicial relief.” *Ours Tech., Inc. v. Data Drive Thru,*
 6 *Inc.*, 645 F.Supp. 2d 830, 834 (N.D. Cal. 2009). In patent cases, a factor to be considered in
 7 the more general totality of “all the circumstances” test to establish a judicial controversy is
 8 whether there has been a “reasonable apprehension” on the part of the declaratory judgment
 9 plaintiff. *Id.* “When such a controversy is lacking, dismissal is appropriate under Rule 12
 10 (b)(1) because the district court lacks subject matter jurisdiction over the claim.” *eBay, Inc. v.*
 11 *PartsRiver, Inc.*, 2001 WL 1522389 at *2 (N.D. Cal. August 21, 2011); Fed. R. Civ. P.
 12 12(b)(1).

13 Proofpoint points to three “injuries” to establish the existence of an “actual
 14 controversy”: (1) whether Proofpoint products are free from infringement claims; (2) injury to
 15 Proofpoint products resulting from the Texas action and the threat to other customers; and (3)
 16 legal obligations from indemnity commitments. (Dkt. 1, Complaint ¶13) None of these
 17 injuries alone or in combination are enough to establish subject matter jurisdiction.

18 Proofpoint’s uncertainty as to whether its products are free from infringement claims
 19 against its customers is insufficient to establish subject matter jurisdiction. *Ours Tech., Inc.,*
 20 *v. Data Drive Thru, Inc.*, 645 F. Supp. 2d 830, 836 (N.D. Cal. 2009) Proofpoint must show
 21 that the threat against *it* is “immediate” and “real.” *Id.* Proofpoint has failed to allege
 22 sufficient facts supporting the immediacy or real threat of an infringement suit by InNova
 23 against it.

24 Proofpoint’s “injuries” relating to threat to customers and indemnity commitments
 25 have also been rejected by this court. In *Ours Tech., Inc., v. Data Drive Thru, Inc.*, 645 F.
 26 Supp. 2d 830 (N.D. Cal. 2009), plaintiff, Ours Tech., Inc’s (“OTI”) filed an action against
 27 Data Drive Thru (“DDT”) seeking declaratory judgment of non-infringement, invalidity, and
 28 ///

1 unenforceability of DDT's patent on cable devices. OTI argued that it could not continue its
 2 particular business ventures without subjecting it to the threat of patent infringement by DDT.
 3 *Id.* at 835. The court found that OTI's interest in indemnifying its customers was to preserve
 4 its customer base and largely economic. ("Because OTI's interest in indemnifying these U.S.
 5 retailers, as best the court can discern, is to preserve its customer base, DDT is correct that
 6 OTI's interest in this action is largely-if not exclusively-economic. Based on the facts
 7 alleged, under all of the circumstances, OTI has failed to show that there is "a substantial
 8 controversy, between parties having adverse legal interests, of sufficient immediacy and
 9 reality to warrant the issuance of a declaratory judgment. *Ours Tech., Inc., v. Data Drive*
 10 *Thru, Inc.*, 645 F. Supp. 2d 830, 840 (N.D. Cal. 2009) *citing MedImmune, Inc. v. Genentech,*
 11 *Inc.* 549 U.S. 118, 127 (2007)). Accordingly, Proofpoint's factual allegations like OTI's are
 12 merely economic concerns that do not meet the legal standard for declaratory judgment
 13 jurisdiction and should be dismissed.

14 The court went on to state that even if there was subject matter jurisdiction, it would
 15 still find it appropriate to decline jurisdiction because of the pending DDT action in another
 16 jurisdiction. *Id.* at 840. Likewise this court should use its discretion and dismiss the action
 17 because of the pending action in the Eastern District of Texas.

18 **B. Proofpoint Fails to Establish Personal Jurisdiction**

19 Federal Circuit law applies, rather than the regional circuits, to determine personal
 20 jurisdiction in a patent infringement case. *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21
 21 F.3d 1558, 1564-65 (Fed. Cir. 1994). This choice of governing law applies as well to
 22 personal jurisdiction in declaratory judgment actions that involve patentees as defendants.
 23 *Akro Corp. v. Luker*, 45 F.3d 1541, 1543 (Fed. Cir. 1995).

24 "Where a defendant moves to dismiss a complaint for lack of personal jurisdiction,
 25 the plaintiff bears the burden of demonstrating that jurisdiction is appropriate."
 26 *Schwarzenegger v. Fred Martin Motor Co.*, 374, F. 3d 797, 800 (9th Cir. 2004). The court
 27 will inquire into whether the plaintiff's pleadings and affidavits make a *prima facie* showing
 28 ///

1 of personal jurisdiction. *Id.* Uncontroverted allegations in the complaint must be taken as
 2 true but the plaintiff cannot “simply rest on the bare allegations of its complaint.” *Id.*

3 Determining whether jurisdiction exists over an out-of-state defendant involves two
 4 inquiries: whether a forum state’s long-arm statute permits service of process and whether
 5 assertion of personal jurisdiction violates due process. *Autogenomics, Inc. v. Oxford Gene*
 6 *Tech. Ltd.*, 566 F. 3d 1012, 1016 (Fed. Cir. 2009). “However because California’s long-arm
 7 statute is coextensive with the limits of due process, the two inquiries collapse into a single
 8 inquiry: whether jurisdiction comports with due process.” *Id.*

9 Before a district court can exercise personal jurisdiction over a non-resident defendant,
 10 the Due Process Clause requires the defendant have “certain minimum contacts” with the
 11 forum state. “Due process requires only that in order to subject a defendant to a judgment in
 12 *personam*, if he be not present within the territory of the forum, he have certain minimum
 13 contacts with it such that the maintenance of the suit does not offend traditional notions of fair
 14 play and substantial justice.” *Int’l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945). The
 15 Due Process Clause “gives a degree of predictability to the legal system that allows potential
 16 defendant to structure their primary conduct with some minimum assurance as to where that
 17 conduct will and will not render them liable to suit.” *Burger King Corp. v. Rudzewicz*, 471
 18 U.S. 462, 474 (1985). Accordingly, a defendant’s activities in the forum state should be such
 19 that a defendant “should reasonably anticipate being haled into court there.” *World-Wide*
 20 *Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980).

21 Under the “minimum contacts” test, the Supreme Court has drawn a distinction
 22 between “specific” jurisdiction and “general” jurisdiction. To establish “general jurisdiction”
 23 a plaintiff bears a high burden. *Avocent Huntsville Corp. v. Aten Intern, Co., Ltd.*, 552 F. 3d
 24 1324, 1330 (Fed. Cir. 2008). The necessary inquiry explores the “nature of [the defendant’s]
 25 contacts with the [forum State] to determine whether they constitute ...continuous and
 26 systematic general business contacts.” *Helicopteros Nacionales de Colombia, S.A. v. Hall*,
 27 466 U.S. 408, 415-416 (1984) (emphasis added.). To establish “specific” jurisdiction, a
 28 ///

1 plaintiff must demonstrate that the activities arise out of or relate to the cause of action.

2 *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 476 (1985). In determining whether specific
3 jurisdiction exists, the Federal Circuit considers a three-factor test:

- 4 (1) the defendant purposefully directed its activities at residents of the forum;
- 5 (2) the claim arises out of or relates to those activities; and
- 6 (3) assertion of personal jurisdiction is reasonable and fair.

7 *Autogenomics, Inc. v. Oxford Gene Tech. Ltd.*, 565 F.3d 1012, 1018 (Fed. Cir. 2009).

8 The first two factors correspond with the “minimum contacts” prong of the *International Shoe*
9 analysis and the third factor corresponds with the “fair play and substantial justice” prong
10 analysis.” *Id.* Plaintiff carries the burden on the first two factors. If plaintiff meets its
11 burden, then the burden switches to defendant to present a compelling case that the presence
12 of some other considerations would render jurisdiction unreasonable under the five-factor test
13 articulated by the Supreme Court in *Burger King*. *Breckenridge Pharm., Inc. v. Matabloite*
14 *Labs., Inc.*, 444 F.3d 1356, 1363 (Fed. Cir. 2006).

15 **1. General Jurisdiction Does not Exist because InNova has no
16 Purposeful, Systematic, and Continuous Contacts with this Judicial
District.**

17 General jurisdiction requires that the defendant have “continuous and systematic”
18 contacts with the forum state and confers personal jurisdiction even when the cause of action
19 has no relationship with those contacts. *Autogenomics, Inc. v. Oxford Gene Tech., Ltd.*, 566
20 F.3d 1012, 1017 (Fed. Cir. 2009). The contacts have to be more than “sporadic and
21 insubstantial contacts with the forum” for a finding of general jurisdiction. In *Helicopteros*,
22 the Supreme Court held there was no general jurisdiction in Texas over the defendant that did
23 not have a place of business nor had ever been licensed to do business in Texas. This
24 conclusion was reached despite the fact that the defendant had sent its chief executive officer
25 to Houston for a contract-negotiation, accepted into its New York bank account checks drawn
26 on a Houston bank, purchased helicopters, equipment, and training services from Bell
27 Helicopter, a Texas resident, and sent personnel to Bell’s facilities in Fort Worth for training.

28 ///

1 *Helicopteros Nacionales de Columbia, S.A. v. Hall*, 466 U.S. 408, 416 (1984). Like the
 2 defendant in *Helicopteros*, InNova does not have a place of business in California nor is it
 3 licensed to do business in California and nothing exceeds the commercial contacts that the
 4 Supreme Court held were insufficient in *Helicopteros*.

5 Proofpoint's attempt to establish personal jurisdiction over InNova because it is
 6 "taking intentional and purposeful steps to enforce the '761 Patent against residents of this
 7 judicial district [in Texas]" must fail. (Dkt. 1, ¶ 6). The mere act of suing a California
 8 resident in a foreign court cannot give rise to either general or specific jurisdiction. *Radio*
 9 *Systems Corp. v. Accession, Inc.*, 638 F.3d 785, 792 (Fed. Cir. 2011) ("enforcement activities
 10 taking place outside the forum state do not give rise to personal jurisdiction in the forum").
 11 Such factual allegations do not rise to the level of being "continuous and systematic" contacts
 12 with this forum state. In fact, Proofpoint fails to plead a single contact InNova has with this
 13 forum, therefore, failing to establish personal jurisdiction over InNova.

14 **2. InNova's Enforcement of the '761 Patent in the Eastern District of
 15 Texas against Residents of this Judicial District does not Support
 the Exercise of Specific Jurisdiction.**

16 Proofpoint's complaint is wholly lacking in factual allegations to support specific
 17 jurisdiction. Proofpoint has failed to identify a single contact that creates a "substantial
 18 connection" with the forum as opposed to an "attenuated affiliation." *Burger King Corp. v.*
 19 *Rudzewicz*, 471 U.S. 462, 475 (1985). Nothing in the Complaint points to InNova
 20 purposefully directing its activities at residents of the forum nor how the declaratory action
 21 arises out of or relates to those activities. Proofpoint has failed to meet its burden. Because
 22 Proofpoint has not carried its burden as to the first two prongs of the Federal Circuit's test, the
 23 burden does not shift to InNova to prove the third prong. *See Autogenomics, Inc. v. Oxford*
 24 *Gene Tech. Ltd.*, 565 F.3d 1012, 1018 (Fed. Cir. 2009).

25 **IV. CONCLUSION**

26 Proofpoint's factual allegations simply do not support this court's subject matter
 27 jurisdiction or personal jurisdiction over InNova. Proofpoint has failed to establish that

28 ///

1 an “actual controversy” exist to support subject matter jurisdiction. Proofpoint also fails
2 to show that InNova has had any purposeful, systematic, and continuous contacts with
3 this forum to establish general jurisdiction or that InNova’s activities have been directed
4 to residents of this forum to establish specific jurisdiction. Therefore, InNova requests
5 this Court dismiss Proofpoint’s Complaint for lack of subject matter jurisdiction and for
6 lack of personal jurisdiction.

7 Dated: June 2, 2011

8 Respectfully Submitted,

9 /s/ Carmen M. Aviles
Carmen M. Aviles

10 THE LANIER LAW FIRM, P.C.
11 Christopher D. Banys SBN: 230038 (CA)
Daniel W. Bedell SBN: 254912 (CA)
12 Carmen M. Aviles SBN: 251993 (CA)
Daniel M. Shafer SBN: 244839 (CA)
13 The Lanier Law Firm, P.C.
2200 Geng Road, Suite 200
Palo Alto, CA 94303
14 Tel: (650) 322-9100
Fax: (650) 322-9103
15 cdb@lanierlawfirm.com
dwb@lanierlawfirm.com
cma@lanierlawfirm.com
16 dms@lanierlawfirm.com
17
18
19
20
21
22
23
24
25
26
27
28

CERTIFICATE OF SERVICE

I hereby certify that all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document via the Court's CM/ECF system per Local Rule CV-5(a)(3) on this 2nd day of June, 2011.

/s/ Vicki Comer
Vicki Comer